

ROUTING

Top Secret

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NATIONAL INTELLIGENCE DAILY CABLE

Monday June 7, 1976

CI NIDC 76-133C

State Dept. review completed

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NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Monday June 7, 1976.

[REDACTED] The NID Cable is for the purpose of informing senior US officials.

LEBANON

[REDACTED] Political consultations quickened among Lebanese leaders in Beirut this weekend in an effort to forestall further Syrian military intervention in Lebanon.

[REDACTED] Lebanese president-elect Sarkis met with rightwing Christian leaders on Saturday to discuss reform proposals that the Christians could accept in response to the left's reform package. Sarkis has been trying to lay the basis for a round-table conference of leaders of the various Lebanese factions. Christian Phalanges leader Pierre Jumayyil characterized the meeting as "useful" in a subsequent public statement, but he avoided answering a question on whether invitations for the projected conference would be issued soon.

[REDACTED] Leftist leader Kamal Jumblatt conferred on Saturday with the religious leader of the Sunni Muslims in Lebanon; both leaders announced support for an early conference of the various factions. The Sunni religious head will shortly send a special emissary to Damascus to seek a reconciliation between the Lebanese left and the Syrian leadership.

[REDACTED] At the same time, however, Jumblatt continues to appeal for outside help against the Syrians. On Friday, he sent a message to UN Secretary General Waldheim asking that the UN intervene to stop the Syrian "invasion." The next day Jumblatt issued a call to the Arab League to send a joint Arab force, including Egyptian troops, to Lebanon.

[REDACTED] On the diplomatic front, a joint Libyan-Algerian delegation arrived in Damascus Saturday in a further effort to mend the rift between Syria and the Palestinian-leftist alliance in Lebanon. The mission grew out of discussions of Syria's intervention in Lebanon at a meeting held in Tripoli the day before with Palestinian leader Yasir Arafat and a two-man Iraqi delegation.

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[redacted] Libyan Prime Minister Jallud and the Algerian emissary met with President Asad yesterday. The lack of official Syrian commentary on the meeting thus far suggests the envoys made little headway with Asad.

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[redacted] Factional violence, which had tapered off following the Syrian advance in eastern Lebanon last week, erupted again over the weekend. The most serious clashes occurred in and around Beirut between Syrian-controlled Saiqa units and Fatah and leftist forces. The fighting apparently arose from disputes over roadblocks and attempts by Saiqa units to remove wall placards denouncing Syria's intervention.

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[redacted] There are at least a thousand Syrian regulars disguised as Saiqa operating in Beirut. At least some of these Syrian forces almost certainly participated in the fighting in Beirut this weekend, thus prompting charges from Yasir Arafat that Syria has launched a major offensive against the Palestinians and leftists throughout Lebanon.

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[redacted] Leftist and Palestinian spokesmen have maintained a defiant posture in public statements, but these groups have generally avoided any resistance to Syrian forces in eastern Lebanon. The formation Friday of a joint Palestinian-leftist command, excluding Syrian-controlled Saiqa units, may strengthen somewhat the de facto coordination that has existed among these groups in the past.

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EGYPT-SYRIA

[] Egypt's decision on Saturday to close the Syrian embassy in Cairo and its own embassy in Damascus will have little practical effect on relations between the two countries. There has been almost no official contact between the two since Egypt recalled its ambassador from Syria in October.

[] The move, however, will complicate further the joint Saudi-Kuwaiti effort to bring about a reconciliation between Egypt and Syria. At the time of the Egyptian announcement, the Saudi and Kuwaiti foreign ministers were in Damascus on the third round since early May of their attempt to arrange a meeting of the Egyptian and Syrian prime ministers in Riyadh.

[] An announcement by Damascus radio after the Egyptian move spoke, without negative comment, of the continuing Saudi-Kuwaiti effort, indicating that Syria is not yet prepared to close the door completely on the mediation attempt.

[] Egypt's decision to close the Syrian embassy was prompted by an attack on its mission in Damascus on Saturday.

Several hundred Arab students stormed the Egyptian embassy, held embassy officials hostage for several hours, and looted the building. One embassy officer, according to Cairo's account, was wounded.

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[REDACTED]

[REDACTED] The action against Egypt's embassy was a response to the occupation of Syria's embassy in Cairo on Thursday by a group of students protesting Syria's intervention in Lebanon. No damage was done in that incident, which probably involved Palestinian students. The US embassy in Cairo believes Egyptian authorities either encouraged or closed their eyes to the students' action.

[REDACTED] //The anti-Syrian demonstration in Cairo was one of several incidents against Syrian embassies in Arab countries. Palestinian students briefly occupied the embassies in Algiers and Khartoum on Saturday to protest Damascus' actions in Lebanon. Local Palestinian groups in Kuwait organized an anti-Syrian demonstration the same day, but Kuwaiti authorities provided increased protection for the Syrian embassy. Syria has not retaliated against the Algerian or Sudanese embassies in Damascus.//

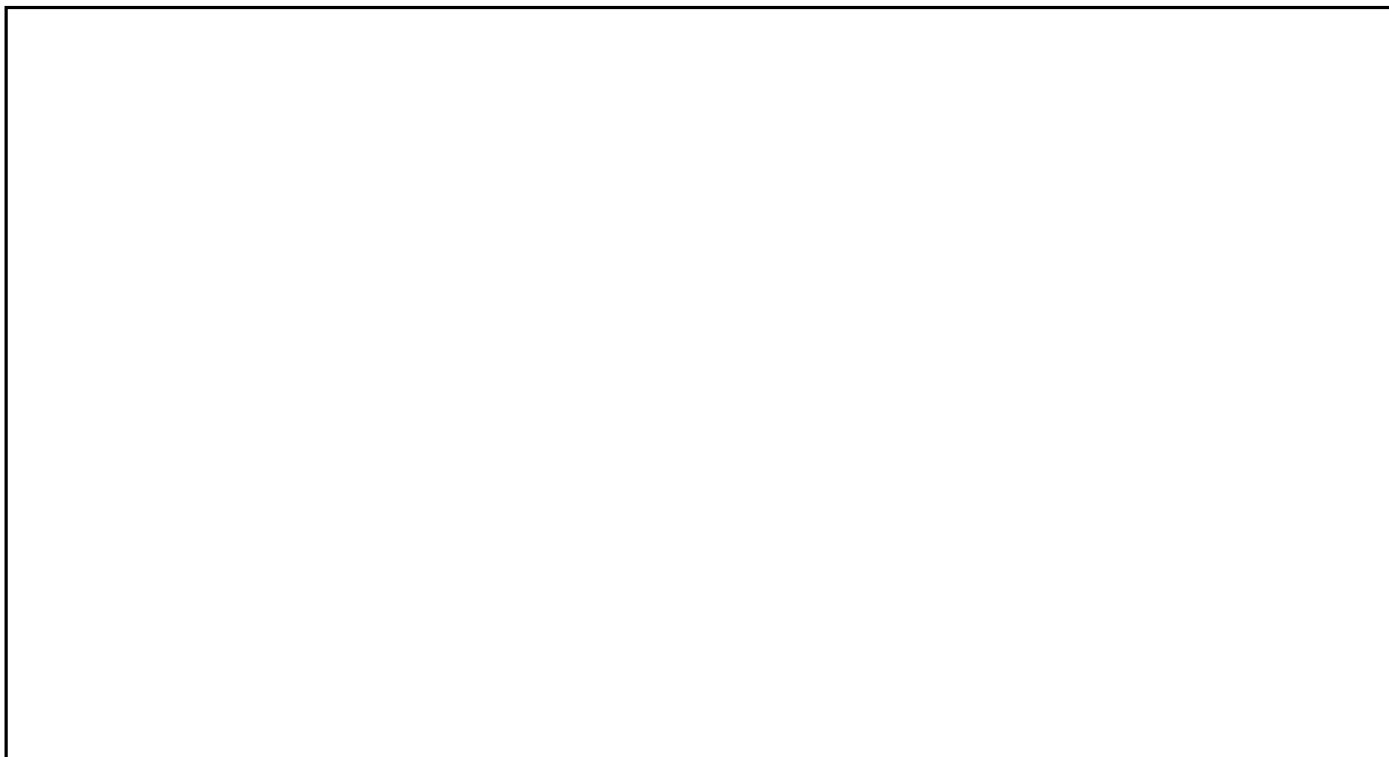
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WEST GERMANY - USSR

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[REDACTED] Moscow's relaxation of restrictions on the emigration of ethnic Germans from the Soviet Union this year may be intended to enhance the Schmidt government's prospects in the October national election.

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[REDACTED] Over 4,500 ethnic Germans left for the Federal Republic between January and May of this year. This is more than in any comparable period since 1958, when the two governments first concluded an accord governing emigration. The highest emigration in a single year was in 1974 when 6,300 ethnic Germans left the Soviet Union.

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[REDACTED] The Soviets in the past have relaxed restrictions on emigration for political reasons. In the three weeks before the 1972 West German national election they allowed nearly 2,000 ethnic Germans out.

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[] Projections of the number of emigres for the balance of this year are hazardous, but the Soviets may choose to maintain the current rate between now and the October election to support the Social Democratic - Free Democratic coalition in Bonn.

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[] The possibility that Soviet Communist party chief Brezhnev might visit Bonn after the elections may be another factor influencing the Soviet decision to relax restrictions on emigration. West German and Soviet officials have not yet reached a final agreement on such a visit partly because of disagreement over the applicability to Berlin of three bilateral accords in the humanitarian field. Bonn feels that at least one of these accords should be ready for final signature to help justify the Brezhnev visit.

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[] The German Red Cross estimated in 1972 that there were about 40,000 ethnic Germans in the Soviet Union who had family ties in the Federal Republic and who desired exit permits. Since then, the Soviets have allowed a total of about 20,000 ethnic Germans to leave.

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[] Most of the 1.8 million ethnic Germans in the Soviet Union are descendants of Germans who settled in Russia in previous centuries. Most of them were deported to Siberia in 1941, following the German invasion of the USSR. Few have any known relatives in the Federal Republic. []

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BANGLADESH

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[] Bangladesh's major aid donors have tentatively pledged over \$900 million in new assistance despite their criticism of Dacca's food-management policies and its slow utilization of project aid. The donors met recently in Paris to review Bangladesh's economic progress during the past year and to consider ways to ameliorate its extreme poverty.

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[] The consortium, sponsored by the World Bank, includes the US, other Western donors, Iran, and international agencies. Some major donors, such as the USSR, Kuwait, and the United Arab Emirates, did not attend.

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Aid Flows High

25X1 [] This year, for the first time since independence in 1971, economic activity in Bangladesh has not been constrained by a shortage of foreign exchange. Massive receipts of foreign aid have provided sufficient food and have relieved shortages of agricultural goods. Lower world prices for imported food-grains, edible oil, fertilizer, and cement also helped.

25X1 [] Foreign aid disbursements are likely to amount to \$1 billion during the year ending in June 1976, up from \$992 million in fiscal year 1975. Aid receipts are now running at two and a half times the rate of export earnings.

25X1 [] Some donors believe the composition of aid--about 85 percent of it goes for food and commodities--merely postpones problems and offers little prospect for growth. Unspent project aid is piling up because the government has difficulty creating and implementing economic plans.

25X1 [] Loans constitute an increasing share of aid to Bangladesh. Although debt service payments to the International Monetary Fund and other donors will equal more than 20 percent of merchandise exports this year, the flow of new aid will reduce this burden to manageable levels. Repayments obligations are likely to increase far more rapidly than exports over the next three years.

Improved Agricultural Production

25X1 [] Food grain production in fiscal year 1976 will probably reach a record level of 13.1 million metric tons. Unusually favorable weather conditions contributed far more to this achievement than did the greater availability of fertilizers, seed, and irrigation pumps. Imported grain, almost 90 percent financed by foreign aid, will provide an additional 1.5 million metric tons.

25X1 [] Unless flood and cyclone damage are extensive this summer, the food supply should be sufficient to meet minimum consumption needs until the next main harvest in November. After that, Bangladesh could easily revert to its typical near-famine condition.

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[] The present abundance of food has strained storage facilities beyond capacity, and losses are increasing. Grain prices on the private market have declined and may now be so low that farmers are deterred from efforts to increase production. In an effort to stabilize the prices farmers receive, the government has expanded its procurement program but has had difficulty coping with the large quantities offered.

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[] Increasing outlays for storage costs and domestic grain purchases have severely strained the government budget. Government revenue is falling as receipts from aid-financed grain sales decline. Consumers prefer competitively priced domestic rice and wheat from private traders to the imported grain sold by the government through its rations shops.

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[] The government could lower its sale price to reduce official stocks to manageable levels and obtain more revenue. The donors consider this undesirable because the present price is already far below the world grain price.

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[] Despite the good harvest, the value of food imports this year will almost equal the value of total exports--a lower proportion than last year. Donors are pressing the Bangladesh government to adjust grain imports to local production. Even when there is an excellent harvest, the government seeks a high volume of food aid to finance its budget and to obtain supplies for the government ration system. Bangladesh will continue to require over a million tons of grain imports annually for several years at best.

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[] Indian diversion of Ganges River water has not yet had a demonstrable effect on agricultural production in Bangladesh. Evidence might show up within the next few months, but definite assessment of potential damage to Bangladesh cannot be made for several years.

Exports Stagnate

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[] Because export prices dropped sharply early in the year, the value of jute exports will remain unchanged even though the volume will probably show a sharp recovery from the depressed levels of last year. Prices are now up slightly, and

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earnings may increase next year. Competition from synthetic fibers clouds long-range prospects, but aid donors continue to support jute production--no other major source of export earnings is now apparent.

25X1 [] Minor products--mainly tea, leather and fish--will account for 17 percent of Bangladesh's export earnings in fiscal year 1976--a slight increase over their share during the past several years. Only limited growth is possible. Oil exploration, both onshore and offshore, has not yet confirmed commercially useful deposits.

Impact of Political Instability

25X1 [] Despite the coups and counter-coups last fall, improved security in the countryside has helped agricultural production and transport. The martial law administration, which has been running the country since November, has been willing to make politically risky economic policy decisions such as raising the ration price of foodgrains. The direction of economic policy is clearly, if gradually, moving away from detailed government regulation of prices and distribution. Severe administrative problems remain, but they seem no worse now than last summer. 25X1 []

NONALIGNED CONFERENCE

25X1 [] The foreign ministers of 17 nonaligned nations met in Algiers last week to prepare for the nonaligned summit scheduled for Colombo, Sri Lanka, in August.

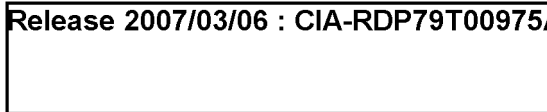
25X1 [] The Algerians dominated the meeting. The communique, which hewed to standard nonaligned--and Algerian--positions, expressed support:

--For the "just struggle" of Panama to regain sovereignty over the Canal Zone and for the right of the Puerto Rican people to self-determination and independence.

--For North Korean policies, the withdrawal of all foreign troops under the UN flag from the Korean peninsula and the conclusion of a peace treaty.

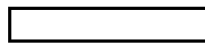
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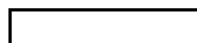


--For Israel's withdrawal from occupied Arab territories and the restoration of Palestinian national rights.

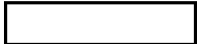

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 Although the Syrians strongly urged language calling for Israel's expulsion from the UN, it was not in the communique.

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 Syrian efforts to gain nonaligned endorsement for its intervention in Lebanon caused acrimonious debate, and Algeria and many nonaligned states opposed it. Compromise language in the communique expressed concern over the situation in Lebanon and noted that the Lebanese themselves are primarily responsible for resolving the crisis.

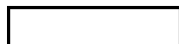
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 The Sri Lankans will assume chairmanship of the non-aligned group from the Algerians in August, but the change is not likely to result in a more moderate orientation. 

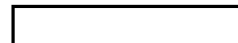
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CIEC


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 The Conference on International Economic Cooperation resumes its working meetings this week in Paris. It will probably concentrate on assessing the implications of the month-long UN Conference on Trade and Development in Nairobi. An eleventh-hour compromise at UNCTAD between developing and industrialized states on commodity and debt issues allowed the conference to avoid a breakdown that would have threatened the future of the Paris talks.

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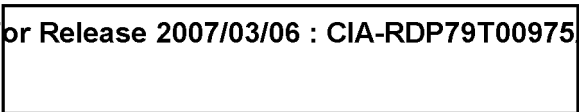
 //This week's sessions in Paris are unlikely to break new ground. Some of the UNCTAD resolutions will significantly affect crucial issues that are being tackled in Paris by the commissions on raw materials, financial affairs, and development. Major new directions in the CIEC talks, however, are not likely until a scheduled high-level meeting of all participants in July.//

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 //Perhaps the most contentious question this week in Paris will be the interpretation of UNCTAD's agreement to convene a negotiating conference on a common fund by March 1977. The larger industrialized countries believe they are committed to nothing more than exploring the advisability of setting up such a fund. The developing states are inclined to believe that agreement in principal has been reached on creation of the fund and that the purpose of planned negotiations is to work out its establishment.//

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[REDACTED] //The industrialized states will want to discuss the UNCTAD outcome among themselves before proceeding with the dialogue. Their inability, particularly that of the EC, to adopt a common policy or a coordinated negotiating tactic in Nairobi allowed the highly unified group of developing states to play one developed state off against the other.//

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[REDACTED] //This failure is certain to be raised in EC circles--the French and West German foreign ministers have already discussed the problem--and will be central to discussions about relations with the developing world at the ministerial meeting of the OECD on June 21 and 22 and the seven-nation economic summit in Puerto Rico.//

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OPEC

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[REDACTED] //We estimate that members of the Organization of Petroleum Exporting Countries will borrow about \$5 billion from private international sources this year, up from \$3 billion in 1975. The projected figure includes about \$4 billion in medium-term loans from commercial sources and a \$920 million Venezuelan bond issue to compensate oil companies after nationalization.//

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[REDACTED] //Most of the funds will be borrowed by OPEC members with strong demand for imports and deteriorating current-account positions. Some countries, such as Iran and Venezuela, will be able to take advantage of relatively high credit ratings. Most loans are being tied to longer term development programs, particularly in energy-related industries. OPEC countries should be able to secure ample medium-term credit on good terms for the rest of the year.//

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[REDACTED] //Borrowing by OPEC countries from private foreign sources began to climb last year when their combined current-account surplus dropped to \$34 billion from \$73 billion the

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year before. Roughly \$1.1 billion of the \$3 billion borrowed last year was borrowed by Indonesia to refinance its short-term debt. Algeria, Iran, and Venezuela, the other major borrowers, obtained about \$1 billion in project-related loans. Loans by OPEC members to other members totaled between \$600 and \$900 million last year.//

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[] //The need for borrowing by some OPEC countries will rise this year. The rapid growth of imports is causing a further deterioration in the current positions of several poorer OPEC countries. Algeria, Ecuador, Gabon, and Indonesia will run current-account deficits, and the surpluses in Iran, Venezuela, and Iraq will shrink appreciably.//

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[] //OPEC borrowing in first quarter 1976 totaled \$1.7 billion, and demand for funds will remain strong throughout the year. Iran probably will seek from \$1.2 to \$1.7 billion; Algeria will tap the market for \$700 to \$900 million.//

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[] //Borrowing by other OPEC members is likely to total at least \$2.2 billion, including a further \$300 to \$500 million by Venezuela.//

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[] //Energy-related development plans account for a substantial share of the borrowing. For example, Iran is attempting to line up \$750 million to finance fertilizer plants, other petrochemical production facilities, and a natural gas pipeline. Most of the other loans are tied to long-term development projects such as pulp and paper mills, prefabricated housing, port facilities, and railroad improvements.//

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[] //With the exception of Algeria, OPEC borrowers should have little difficulty securing needed credit over the next year. Loans to OPEC are now attracting favorable terms, and most international lenders are willing to join in their syndication. Lending terms for some OPEC borrowers such as Iran and Algeria will probably tighten later this year as the level of their borrowing rises.//

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[] //Problems will arise if OPEC countries fail to complete projects to which loans are tied. Algeria, for example, has had several setbacks in developing its liquefied natural gas potential, and these setbacks have been a factor in the

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difficulties the state oil company, Sonatrach, has encountered recently in getting a loan. Other OPEC members with unrealistic long-term development projects may well encounter similar problems within the next few years. [REDACTED]

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URUGUAY

[REDACTED] A flare-up in a long-running and bitter dispute between President Bordaberry and the military over restructuring the government threatens to result in Bordaberry's removal from office or resignation, possibly today.

[REDACTED] This latest crisis grew out of meetings held by the military last week to go over the President's proposals on the long-term structure of the government. Bordaberry wants an entirely new political structure that would give him full powers and place the military in a supportive role. The generals want only to patch up the present system and to continue their participation at the highest policy levels.

[REDACTED] The two sides have had battles over this issue and other political and economic issues ever since the generals began to exercise a major policy role in early 1973. Each time, a compromise has been worked out, but the underlying disputes that provoked the clashes have remained unresolved. Another compromise may be reached at the last moment in the current dispute, but each succeeding clash puts Bordaberry's job further in jeopardy. [REDACTED]

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